

PERCEPTION OF ENTREPRENEURS REGARDING BUSINESS ENVIRONMENT IN MONTENEGRO: REGIONAL ANALYSIS

Bojan Lekovic, PhD Candidate

Slobodan Maric, PhD Candidate

University of Novi Sad/The Faculty of Economics Subotica , Republic of Serbia

Sandra Djurovic , PhD Candidate

The Faculty for Business Economics, Bar, Republic of Montenegro

Nemanja Berber, PhD Candidate

University of Novi Sad/The Faculty of Economics Subotica , Republic of Serbia

Abstract

The goal of this work is to analyze the economic ambient by entrepreneurs through the identification of the most significant barriers exerting influences on the development of business in Montenegro. For the needs of researching, the questionnaire was created consisting of 30 questions, including five groups of barriers. The questionnaire was filled in by 102 business people with their main offices in Montenegro. Collected data were processed by means of the statistical processing data program SPSS20. The descriptive analysis was used with a view of getting the hierarchy of observed barriers, while the one-way analysis of variance (ANOVA) was used for determining statistically significant differences regarding to observed barriers by entrepreneurs classified into three geographical regions (maritime, central and northern). Financial resources, procedures in the local competence and centralized procedures were recognized by entrepreneurs as barriers of the greatest importance on entrepreneurial development. Statistically significant differences between the observed barriers by entrepreneurs in three geographical regions appeared in case of development inequality of regions and administrative procedures in employment.

Keywords: Entrepreneurship, business environment, Montenegro, regional analysis, barriers

Introduction:

The goal of this study is to analyze the entrepreneurial environment in Montenegro, in order to identify and specify the barriers that really slow down the implementation of the entrepreneurial concepts and values, and entrepreneurship development itself. The purpose of the research taken is to identify and classify the barriers that have strong but negative influence, into five clusters. This research includes the questionnaire, specially created for the purpose of this analysis and research. Data collected are processed using the software package for statistical analysis-SPSS. Descriptive statistics, analysis of variance-ANOVA statistical test were used to determine existing barriers and statistically significant differences between respondents from all of three regions of Montenegro (Northern, Maritime and Central region).

In the first part of this study, the authors give a theoretical review on entrepreneurship, and barriers to entrepreneurship that influence on establishing and developing of business projects in entrepreneurial environment. In the second part of this study, the authors give a wide explanation of the methodology used in this research in order to make it more familiar

and comprehensive. This part includes all the details about the questionnaire, about how the relevant data are collected; data collected sample, as well as the purpose of the used statistical analysis. In the third part of the study, the authors represent the results of the statistical analysis in form of tables. This part includes authors' detailed evaluation, discussion of results and final conclusions in order to point out the significance of the research taken for the future in this research area as well as its theoretical and practical contribution to entrepreneurship development in Montenegro.

Theoretical Background

Some authors defined entrepreneurship via three related components: innovativeness, risk taking and proactiveness (Covin and Slevin, 1989; Zahra, 1993). Three components, which best reflect the nature of entrepreneurs, represent the trigger for the action of entrepreneurs oriented to the creation of enterprises and self-employment. This tendency was recognized by the group of authors citing that entrepreneurs drive job formation through self-employment and small-business creation (Barth, *et. al*, 2006).

The behavior of entrepreneurs, as well as their business is exposed to the influence of many internal and external factors of their environment. The factors of influence in this work were recognized as barriers to establish and develop entrepreneurial business. Trying to identify and measure the strength of perception of entrepreneurs regarding to some problems in business development, we tried to recognize and minimize the influence of some factors with negative influence. Perception of some factors by entrepreneurs can be different relating to their sex, age, education, etc (Lekovic and Berber, 2012). The geographical region can also exert influence on the perception of entrepreneurs regarding to business ambient evaluation within of which is the main office of the enterprise. The current business surroundings in Montenegro, although the same for all the citizens, can be differently perceived by entrepreneurs in three different geographical regions. Different perception can be the result of tradition, available natural resources, infrastructures, available human resources, etc. A good starting point to a discussion on regional factors as determinants for development of entrepreneurial business can be Tobler's statement "Everything is related to everything else, but near things are more related than distant things" (Tobler, 1970, p. 234). In the Global Report for 2012, Global Entrepreneurship Monitor noticed the differences between some countries relating to entrepreneurial attitudes. German researchers established that differences relating to entrepreneurial attitudes can be also notices between entrepreneurial in different regions within one country (Bergman *et al*. 2002, Luckgen, *et al*, 2004).

Barriers to establish and develop entrepreneurial development have been discussed by many authors. Non-existence of the united research methodology, as well as insufficiently determined framework of potential barriers represents the source of unity in the former researches. Different authors have used different barrier groups in defining their methodological research frameworks.

Many authors have paid attention to individual and psychological in their researches. Nawaser *et al*, 2011, Sandhu *et al.*, 2011, Hatala, 2005, Choo and Wong, 2006). Creating a potential business idea is the first step in the development of entrepreneurial business by entrepreneurs of the future. Development of business ideas may be the result of creativity and innovativeness of the entrepreneur or the result that came through the interaction of entrepreneurs and their friends or family to find a suitable business idea. Of course, the prerequisite for the implementation of the business idea is a confirmation of its feasibility by developing a business plan and feasibility study. One of the major myths within the entrepreneurship is constantly searching for the answer to the question whether entrepreneurs are born or created (Bobera, 2010, p.61). Authors Gorji and Rahimian (2011) agreed with this, stating whether individuals are born entrepreneurs or that entrepreneur will become

through academic education. Education is undoubtedly an important determinant of the successful/unsuccessful entrepreneurs. Generally accepted attitude is that for successfully start of business venture as well as latter development, adequate funding and provision of adequate financial resources is important. Basu and Parker (2001) point out that in most countries most new business finance takes the form of bank loans and the next largest source of funds are family members. Because of its relationship with the entrepreneur, relatives and friends are a very common source of financing business ventures with its positive and negative sides. The role of family and friends does not end with the act of collecting funds necessary to finance the venture. They also find their role within the networks of moral support to entrepreneurs. Mentioned networks are the most important in the support entrepreneurs in the entrepreneurial process that is full of difficult situations, and greatly assist the entrepreneur in overcoming the fear of eventual failure.

HRM is very important to understand the organization of entrepreneurial firms (Dabić, *et. al*, 2011, p. 14) and it is crucial for the success of entrepreneurship (Welbourne, 2006). Many authors made very interesting research in the past to identify the importance of HRM for entrepreneurship (Chen, *et.al*, 2005; Marlow, 2006; Jack, *et. al*, 2006; Cooke, 2008). Some authors classified HRM in their research related to barriers to entrepreneurship (Barlett and Bukvic, 2001, Gorji and Rahimian, 2011). HRM includes certain functions such as planning, staffing (recruitment, selection and orientation), training, development and career development, performance measurement, compensation and benefits, leaving the organizations, labor legislation and the like. It can be said that HRM can also have many possibilities for fostering entrepreneurial process, since entrepreneurship is also based on human resources, entrepreneurs. HRM in small and medium sized companies (SME) has not been developed as department, and in many cases, entrepreneurs have different problems with these issues. How to manage people in new founded entrepreneurial organization, select adequate workers or deal with all legislation questions are barriers that can complicate process.

Not only economic but also the overall living ambient exert influence on the perception of barriers by entrepreneurs in some regions. Entrepreneurial process is conditioned by skills and capabilities of individuals existing in some socio-cultural conditions. Therefore, we can reflect the influence of perception of the society relating to entrepreneurship on entrepreneurial behavior of individuals at the local, regional and national level. Some authors have dealt with socio-cultural factors and their impact on the development of entrepreneurship (Barlett and Bukvic, 2001, Gorji and Rahimian, 2011). If the economy in general has a positive attitude towards entrepreneurship, this can generate cultural and social support, financial and business assistance, and networking benefits that will encourage and facilitate potential and existing entrepreneurs (Xavier, *et.al*, 2012). ,

Many countries, in order to improve business ambient, try to reduce costs, simplify procedures and cut the time to register the enterprise. Therefore, understanding the current business surroundings is of key importance for making decisions, policies and procedures with a view of entrepreneurial business development. A methodology for measuring effectiveness of the regulatory framework registration was developed by Djankov, *et. al* (2002). This methodology is recognized by the World Bank, which in its annual reports "Doing Business", Starting Business Section, uses to quantify data for 170 countries. These results are used to prove if there is causality between the time and costs to register the enterprise and the number of newly started enterprises. The result of research of Klaper and Love (2010) pointed to that in countries with high initial registration costs, the benefits of registration are significantly below the costs of registration, likely because of limited access to finance or rigid labor markets. The results represent the confirmation of the previous research by Djankov et al. (2002) who cite that high registration costs do not serve public

interest, but only benefit politicians and bureaucrats. Some authors have noticed in their research the importance of the procedures to register the enterprise and the influence on the entrepreneurial business development. In their research, Bohata and Mladek (1999) considered the barriers related to registration and licensing such as court registration, social and health insurance register, opening bank account, statistical office registration etc.

Entrepreneurs are a very important element of the national tax system. Small business owners not only pay their income tax but need to take account of various types of business taxes such as corporate tax, property taxes, and payroll taxes; they need to collect sales taxes such as VAT; and they need to withhold taxes such as personal income taxes in the case of having at least one employee (Christensen et al., 2001). Some authors researched the impact of fiscal burdens as a barrier to entrepreneurship (Bohata and Mladek, 1999, Hashi, 2001, Celu and Kociu, 2012), while some authors observed the influence of the tax system on entrepreneurship development (Stenkula, 2009, Djankov *et al.* 2010).

Many authors put the barriers to entrepreneurship in focus of their researches. Sarasvathy (2004) identified and discussed the barriers to entrepreneurship, revealing them through the answers on question: „What barriers to entrepreneurship exist? “ rather than asking „What induces people to become entrepreneurs?“. Doern (2009) did some research work in the field of barriers to entrepreneurship and growth of the SME sector in former centrally planned economies and now economies in a transitioning process, like it is the economy of Montenegro in present. Doer focused on creating a methodology that would be helpful in better understanding of existing barriers to entrepreneurship and their modes of action. In their research work, Bitzenis and Nito (2005) showed their interest in barriers to entrepreneurship in economies in transition, too. Research conducted by Bitzenis and Nito included 226 enterprises. Results confirmed which barriers to entrepreneurship have the strongest negative influence and those are: unfair competition from the informal economy, changes in taxation procedures, lack of financial assets and problems related to order. The authors also came to a conclusion that presence of corruption and too much bureaucracy in the economic system are not recognized as significant barriers to entrepreneurship. Sandhu *et al.*(2010) conducted a research among 226 Malaysian postgraduate student and confirmed that most significant barriers are lack of social networking followed by lack of resources and aversion to risk. Results of this research are very similar to the results of the research conducted by Lekovic and Berber (2012) among 57 entrepreneurs on the territory of Vojvodina (Autonomous Province of the Republic of Serbia).

Methodology

The research was driven by idea to identify and explicitly state barriers that interfere with starting business activities and creating a competitive, entrepreneurial environment. Barriers were grouped into five sections: individual and psychological factor, socio-cultural factor, human resource, enterprise registration and fiscal burdens. This research includes the questionnaire, specially created for the purpose of this research, consists of 25 questions covering up 5 groups of barriers. Data were collected within the interviews with entrepreneurs.

When responding to a Likert questionnaire item, respondents had to specify their level of agreement or disagreement on a symmetric agree-disagree scale for a series of questions. Options for each determined barrier, presented in Table 1, in business on agree-disagree scale were: 1. Strong significant negative influence, 2. Mostly negative influence, 3. Present, but with no significant influence, 4. Mostly, doesn't have negative influence, 5. Doesn't represent barrier at all.

In the first step, descriptive analysis of data was done in order to create a hierarchy of barriers. In the second step, one-way ANOVA test was done in order to determine existing

differences between entrepreneurs based on a criteria of geographic region. In total, 102 entrepreneurs from Montenegro completed the above-mentioned questionnaire, 50 from Maritime region, 30 from central region and 22 from northern region.

Table 1. Barriers of Entrepreneurship – SC, SOC, HR, REC, ER and LC

Individual and psychological	Socio-cultural factor	Human resources
<ul style="list-style-type: none"> • Idea, initiative • Support in inner circle • Education, skills • Financial assets (lack) • Fear of failure 	<ul style="list-style-type: none"> • Social conditions • The political situation • Regional development disparities • Infrastructure • Global crisis 	<ul style="list-style-type: none"> • Labour legislation • Administrative procedures (hiring) • The process of layoffs • The lack of specialized training programs
Enterprise registration	Fiscal burdens	
<ul style="list-style-type: none"> • Access to information • Registration procedure • State authorities procedures • Centralized procedures • Procedures under local jurisdictions 	<ul style="list-style-type: none"> • Tax obligations • Inconsistent state and municipal taxes • Tax liability on invoiced instead of cash realization • Penal provisions • Taxes and contributions 	

Source: Author's

In accordance with theoretical background, available literature and questionnaire the authors set up the following hypothesis:

H0: There are entrepreneurship barriers related to individual and psychological factor, socio-cultural factor, human resources, enterprise registration, and fiscal burdens.

H1: There are differences related to perception of entrepreneurs regarding business barriers between three regions related to socio-cultural factor in the field of regional development disparities.

H2: There are differences related to perception of entrepreneurs regarding business barriers between three regions related to human resources in the field of administrative procedures of hiring.

Results of analysis and discussion

Results from the descriptive analyses showed that respondents have recognized the barriers with strong, negative influence, in following order: financial assets, procedures under local jurisdiction and centralized procedures. The hierarchy of barriers in Table 2 shows that presented 10 barriers come from all five sections.

Table 2. The Hierarchy of entrepreneurship barriers (top 10) - I&S, SOC, HR, ER and FB – obtained from the sample (N=102)

	N	Mean	Std. Deviation
I&P – Financial assets	102	1,97	1,121
ER – Procedures under local jurisdiction	102	1,99	1,182
ER – Centralized procedures	101	2,01	1,221
FB – Tax liabilities on invoiced instead of cash realization	102	2,03	1,222
SC – Global crisis	101	2,06	1,066
FB – Taxes and contributions	101	2,09	1,209
ER – State authorities procedures	101	2,11	1,067
SC – Regional development disparities	102	2,12	1,237
HR – Administrative procedures (hiring)	102	2,24	1,212
HR – Process of layoffs	101	2,24	1,242

Source: Author's calculation

Results from the descriptive analyses showed that respondents have recognized the barriers with strong, negative influence, in following order: financial assets (M=1.97), procedures under local jurisdiction (M=1.99), centralized procedures (M=2.01) etc. Further statistical data analysis using oneway ANOVA test showed that entrepreneurs performing different business activities refer to barriers: support of inner circle, regional development disparities, fear of failure, administrative procedures, in a different way. For reasons of clarity and abundance of tables in the table no. 3 shows only the results with statistically significant differences.

Table 3. One way Annova test, barriers to entrepreneurship – regional analysis (N=102)

Multiple Comparisons							
Tukey HSD							
Dependent Variable	(I) Region	(J) Region	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
SC – Regional development disparities	Maritime	Central	,333	,278	,456	-,33	,99
		North	,855*	,308	,018	,12	1,59
	North	Maritime	-,855*	,308	,018	-1,59	-,12
		Central	-,521	,338	,275	-1,32	,28
HR – Administrative procedures (hiring)	Maritime	Central	-,267	,272	,590	-,91	,38
		North	,664	,301	,075	-,05	1,38
	Central	Maritime	,267	,272	,590	-,38	,91
		North	,930*	,330	,016	,14	1,72
	North	Maritime	-,664	,301	,075	-1,38	,05
		Central	-,930*	,330	,016	-1,72	-,14

*. The mean difference is significant at the 0.05 level.

Source: Author's calculation

The results of the one-way analysis of variance (ANOVA) showed that there are differences among participants in terms of geographic region. One-way ANOVA test was used to test differences in regional development disparities among enterprises operating in three different geographic region. Preferences in regional development disparities differed significantly among enterprises operating in three different geographic region, $F(2,99) = 3.891$, $p = .024$. Tukey's post-hoc comparison of enterprises operating in three different geographic region showed that entrepreneurs in north region (M=1.55, 95% CI [1.06, 2.03]) find ideas and initiative more aggravating to their business than entrepreneurs in maritime region (M=2.40, 95% CI, [2.04, 2.76]), $p = .018$. Comparison between enterprises in central region (M=2.07, 95% CI [1.63, 2.50]) and enterprises in maritime as well as in north region were not statistically significant, $p < .05$.

Preferences in administrative procedures of hiring differed significantly among enterprises operating in three different geographic region, $F(2,99) = 4.119$, $p = .019$. Tukey's post-hoc comparison of enterprises operating in three different geographic region showed that entrepreneurs in north region (M=1.64, 95% CI [1.26, 2.01]) find ideas and initiative more aggravating to their business than entrepreneurs in maritime region (M=2.30, 95% CI, [1.98, 2.62]), $p = .016$. Comparison between enterprises in central region (M=2.57, 95% CI [2.02, 3.11]) and enterprises in maritime as well as in north region were not statistically significant, $p < .05$.

All the results we got using several statistical analysis should be interpreted with regard to earlier set up hypothesis. Results of descriptive analysis show that main hypothesis H0 is confirmed. According to data from Table 2, 102 respondents identified financial assets as a barrier with highest influence on their business. The results received by this research are in accordance with the previously research carried out within which financial was recognized as the barrier of the significant impact on business development (Wach, 2007, Hashi, 2001,

Bitzenis and Nito, 2005, Hatala, 2005, Bohata and Mladek, 1999). Ensuring or the lack of financial resources can be seen as potential barrier to business recognized by entrepreneurs in this survey. While the significance and impact of financial resources to the realization of a business venture cannot be ignored, it should be noted that the lack of adequate funding is often an indicator of other problems such as managerial incompetence, lack of understanding in the field of finance and the like. The distinction between successful and unsuccessful entrepreneurs is often caused precisely by the ability of entrepreneurs to overcome periods successfully in business that is accompanied by a lack of funds (Bobera, 2010). For the need of financing the starting business projects, as well as for financing further business development, different financial sources are placed at entrepreneurs' disposal. In searching for financial resources, services of business and development banks are also placed at entrepreneurs' disposal. The Government of Montenegro founded the Direction for Development of Small and Medium Enterprises, with a view to promote the significance of small and medium enterprises, support SME sector development and give assistance to carry out research and development projects. Its financial support, this Institution offers in the form of many announced open competition intended right to the SME sector. It relates to competitions for credit lines for start-up, credit lines to stimulate entrepreneurship, invitations to stimulate competitiveness, invitations intended to increase competitiveness of domestic enterprises, invitations for tourist enterprise, etc. Financial resources are available by means of announcing public invitations by the Centre for Entrepreneurship. Information on financial resources and concrete assistance for applying to use the resources of EU funds are available to entrepreneurs, as well as services of the newly founded European Information and Innovative Center Montenegro, originated as the result of a project within the CIP EU program.

Results of one-way Anova analysis show that hypothesis H1 and H2 are confirmed. The characteristic of the regional Montenegro development is the fact that migration of the population from the northern part of the country to the Central and Coastal regions. The northern part lies on 52.8%, the central one on 36.1%, and Maritime/Coastal lies on the 11.6% of the territory of Montenegro. Population density in the Northern region is less relating to the other two. The characteristics of the Northern region are unfavorable economic indicators: income per capita, as well as the degree of employment, drastically lower than in the other two regions. The paradox is the fact that the Northern region, being the biggest and the most undeveloped region, possesses the biggest part of real resources and comparative advantages. The biggest influence on creation of unequal regional development had transition from the planned economy to the market-oriented system. Industries developed on unreal foundations during the period of transition collapsed; therefore a significant part of the population lost their jobs. At the same time, a significant influx of investment flew to the Central and Maritime regions, mostly in the tourist sector. It unavoidably caused the migration of the population from the northern part to the Central and Maritime regions. The differences between the regions are seen in the reports of the Government of Montenegro (The Strategy of Regional Development in Montenegro, 2011). The socio-economic differences can be seen in the field of income tax per capita, based on the budget income of local communities, number of inhabitants, etc. the tax income per capita in 2007 was the biggest in the city of Budva (the Coastal region), amounted to €298.49, while in the municipality of Andrijevica (Northern region), it amounted to €0.68. The budget income per capita in the municipality of Budva in 2008 amounted to €3,321.14, while it was only €50.31 in the municipality of Berane (Central region). A drastic fall of the population number in the last decade happened in the municipality of Plav (Northern region). It has resulted in the negative birthrate of -28%. Contrary to this commune, in Budva (Coastal region), there has been a positive birthrate of 35.78%. The situation of unequal regional development was

noticed by the Government of Montenegro. Therefore, it planned the future actions in development oriented to reducing regional differences. The Government of Montenegro, through its institutions, actively takes part in developing less developed regions. The Investment and Development Fund of Montenegro has credited, in the last period, small and medium enterprises amounted to €18.49 million in 146 projects. The Northern region was approved with 108 projects, amounted to 74%, valued at €3 million or 71.2% of the total approved resources. The Direction for Small and Medium Enterprises Development financed 184 of 371 projects in the Northern region, valued at €5.18 million, amounting to 38.7% of the total approved resources. Contrary to the direct impact by approving financial resources from the budget of the Republic of Montenegro for developing the sector of small and medium enterprises, the Government of Montenegro has provided access to other more attractive funds. The Government has also provided conditions to stimulate and participate actively the regions to apply for financial resources approved by EU Pre-accession funds. One of the funds available to Montenegro is IPA – Pre-Accession Assistance Programme. Since 2012, conditions for free use of the third component (IPA III) have been created, the component being intended to regional development. The importance of the third component of IPA programme is seen in the allocation of resources of all five components. Namely, of €34.6 million for the needs of regional development, the European Union intended €14,752.941million for regional development, and it represents 42.63% of financial resources.

Each step and procedure in the process of hiring new employees is important, especially those related to the labor law, mandatory social and pension insurance, income taxes and contributions, etc. Entrepreneur must execute each procedure and paperwork in health insurance fund, pension insurance fund and national employment service. Besides these procedures, related to the state, entrepreneurs must execute many procedures in the house – procedure for recruitment and adequate selection of the right candidate, determination of monthly wage and benefits, orientation in new business organization. This is important since great increase in business is usually accompanied with new employment, which results in greater work force in entrepreneurship organization that needs improved management and organizational skills and knowledge. The labor market of Montenegro is regulated by the Law on Work, Employment Law and the Collective Contract and Contractual Work between employers and employees. The new Employment law gave a more qualitative legal and institutional framework for regulating mediation on labor market (Strategy for Barriers Elimination to Develop Entrepreneurship in Montenegro, 2007). Passing this Law, Montenegro has significantly approached to EU standards relating to employment. The Employment Law regulates employment procedures, insurance in case of unemployment, unemployment rights, etc.

Conclusion

In this research, entrepreneurs were consulted for the needs of evaluating business environment in the form of identifying barriers exerting influence on business development. This may represent one of limitations in the research because the competence of entrepreneurs does not come from the very fact of their existence in business environment. The observed barriers by entrepreneurs in some cases can be identified and provoked by the lack of education or the lack of cognitive capabilities of entrepreneurs. Perception of entrepreneurs can differ substantially from perception of the Governmental institutions, which notice business barriers and work actively to eliminate them. The results of this research speak in favor of this fact, where business barriers in the united business surroundings reigning in Montenegro, are differently observed by entrepreneurs in three regions.

The goal of this study was to determine the barriers to entrepreneurship in Montenegro by questioning entrepreneurs on how they perceive the same. Using statistical analysis, the authors proved the hypothesis in their research. Hypothesis H0 was confirmed by using descriptive statistics which indicated the presence of barriers in all of five research areas. Financial assets are recognized by respondents as the barrier being the most important in business development. The use of one-way annova test confirmed **the hypothesis H1 and H2 are confirmed**. Differences between perception of entrepreneurs regarding business barriers based on regional aspect were significant evident in terms of administrative procedures and regional development disparities.

Perception of entrepreneurs relating to financial resources as the barrier represents the confirmation of the previously cited attitude that perceived barriers by entrepreneurs does not mean the automatic and real state of business surroundings. Noticing the resources to finance business projects in Montenegro, we can freely emphasize the fact that the problem for entrepreneurs is not the lack financial resources but the lack of strategic orientation of the enterprise that is seen in the lack and even non-existence of defined business intentions. To reach the long-term survival in doing business, it is necessary to have ideas and projects, which represent materialization and financial evaluation of profitability of some entrepreneurial ideas. Just these investment projects represent the instruments for drawing financial installments from business banks, development agencies, investment-development funds, as well of the EU funds. If they are treated as barriers for developing business projects at the moment of availability of financial resources, then, we can freely speak on the shortage of ideas and investment projects. When it relates the EU funds intended for development of small and medium-sized enterprises, where the resources in most cases remain unused, we can emphasize insufficient knowledge of rules and procedures, as well as carrying out projects for drawing financial installments from pre-accession funds of the European Union. Administrative procedures of hiring are recognized by entrepreneurs from the Northern region as an influential barrier contrary to entrepreneurs from the Coastal region. Employment procedures are significantly made easier and harmonized with the EU rules and procedures. One significant step has been made in the field of procedures for employment of foreigners, as the economy of Montenegro attract many seasonal workers in the tourist sector and restaurants. Montenegro has harmonized regulations with the EU standards and adopted the procedure for issuing the uniform work permits and stay of foreigners. Requirements of pre-accession negotiations oblige Montenegro to harmonize its laws in the field of legal migration with the EU standards. This procedure represents the result of the Directives of the European Parliament and the Council 2011/98/EU of 13.12.2011. The procedure to employ foreigners is significantly made easier through issuing united work permits and temporary stay permits, reduction of administrative taxes, as well as reducing terms for authorities' decision-making. Employment procedures are unique in the territory of Montenegro and they are harmonized with the EU regulation. Therefore, perception of entrepreneurs from the Northern region, connected with the administrative procedures of hiring, can be interpreted as insufficient knowledge and the shortage of capability to adapt to rules and procedures from the cited field.

Entrepreneurs from the Northern region identify regional development of disparities as the barrier of bigger influence in contrast to entrepreneurs in the other two regions. Every region is characterized by features that are recognized as territorial capital, which represents together activated resources with the role in developing some territory. Territorial potential still in the form of unused resources represents a development chance for the Northern region. Potential for developing the Northern region lies in the fields of tourism, energy, renewable energy resources, hydro resources, production of organic food, agriculture, lumber industry, etc. Territorial capital can be observed as the result of human activity, but it can be

their generator, too. Therefore, human resources and territorial capital are found in the complex system of interdependency. So, human resources represent a very important element of territorial capital in reaching territorial development with a view of creating better living conditions. Investment in human resources by means of opening educational institutions, investment in life-long education and through trainings on EU programs is one of the priorities in developing the Northern region.

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